

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



BIO-DYNAMIC GROUP LIMITED
生物動力集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 039)

**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTIONS IN RELATION TO
A) THE ACQUISITION OF THE ENTIRE ISSUED
SHARE CAPITAL OF RIGHTSOUTH LIMITED
AND
B) THE ENTERING INTO OF THE OPTION AGREEMENT AND
THE EXERCISE OF THE OPTION
AND
C) RESUMPTION OF TRADING**

INTRODUCTION

Reference is made to the announcement issued by the Company on 20 November 2009 in relation to the possible acquisition of certain assets in the liquor business operated by a company beneficially owned by the Company's ultimate controlling Shareholder.

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTIONS

The Proposed Acquisition

The Board announces that on 25 November 2009, the Company and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of Rightsouth, to the Company at a consideration of HK\$37,000,000, subject to adjustment as described in the subsection headed "Consideration Adjustment" under the section headed "The Sale and Purchase Agreement".

The consideration for the Proposed Acquisition is to be satisfied by the Company by allotting and issuing to the Vendor the Consideration Shares at the Issue Price. The Consideration Shares represent (i) approximately 13.60% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 11.97% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Issue Price represents a discount of approximately 2.9% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the Last Trading Day, and no premium or discount to the average closing price of HK\$0.471 per Share as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day.

Completion of the Sale and Purchase Agreement is conditional upon, among other things, the approval thereof by the Shareholders in general meeting in accordance with the Listing Rules. Other conditions precedent to Completion are set out in the subsection headed “Conditions Precedent” under the section headed “The Sale and Purchase Agreement”.

The Option Agreement

On 25 November 2009, the Vendor and the Company entered into the Option Agreement pursuant to which the Vendor has agreed conditionally to grant to the Company the Option for a consideration of HK\$1.00. Upon exercise of the Option, the Company will be entitled to acquire all the Option Equity Interests from the Vendor at the Exercise Price. Under the Option Agreement, the Exercise Price will not exceed HK\$15,298,500. The Option Agreement is conditional upon, among other things, the approval thereof by the Shareholders in general meeting in accordance with the Listing Rules and Completion.

The Control Deed

Prior to the entering into of the Sale and Purchase Agreement by the Vendor and the Company, the Vendor and Rightsouth had entered into and completed the Control Deed in relation to the JV Co., pursuant to which the Vendor has assigned to Rightsouth the Economic Benefits and granted to Rightsouth the Control Rights in relation to the JV Co.. The Control Deed has an initial term of three years with automatic renewal for further periods of three years upon expiry of the initial term or any subsequent term (as the case may be), subject to approval by the respective shareholders of either party to the Control Deed or their respective Affiliates if such approval is required under the Listing Rules or otherwise by the Stock Exchange. The Control Deed will continue in force until the earlier of the expiry date of the JV Agreement or the Equity Interests Completion Date.

Implications under the Listing Rules

Connected Transactions

CEC indirectly holds approximately 88.6% of the issued share capital of the Vendor. As CEC is also the ultimate controlling shareholder of the Company and, through Orientelite and CEC Agricapital, in aggregate holds approximately 56.1% of the Company’s issued share capital as at the date of this announcement, the Vendor is a connected person of the Company. Therefore, each of the Proposed Acquisition, the acceptance of the Option and the exercise of the Option (if exercised) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to Independent Shareholders’ approval under Rule 14A.18 of the Listing Rules. At the time of exercise of the Option, the Company will re-comply with all applicable requirements under Chapter 14A (including Rule 14A.70(2)) of the Listing Rules, including the Shareholders’ approval requirement, if necessary.

Very Substantial Acquisition

As at least one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of the Proposed Acquisition and the exercise of the Option exceeds 100%, each of these transactions also constitutes a very substantial acquisition under Rule 14.06 of the Listing Rules. Accordingly, the Sale and Purchase Agreement and the Option Agreement will be conditional upon, amongst other things, the approval by the Shareholders at the EGM.

Exempt Continuing Connected Transaction arising from the Control Deed

Pursuant to the Control Deed, Rightsouth will reimburse the Vendor annually for expenses incurred in relation to holding the legal interests in the Equity Interests. The Vendor is a connected person of the Company, and, upon Completion, Rightsouth will become a wholly-owned subsidiary of the Company. Therefore, the reimbursement of the expenses by Rightsouth to the Vendor will become a continuing connected transaction of the Company. The terms of the Control Deed provide that the amount of reimbursement of such expenses shall be capped at HK\$200,000 per annum and therefore the transactions under the Control Deed will fall within the de minimis provision of Rule 14A.33(3) of the Listing Rules. Hence, the Control Deed is exempt from reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. However, the Company will comply with the Listing Rules and make announcement and seek its Independent Shareholders' approval, if required, should the reimbursement of expenses by Rightsouth to the Vendor in any year exceeds or is expected to exceed the threshold prescribed by the de minimis provision of Rule 14A.33(3) of the Listing Rules.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

GENERAL

Independent board committee and independent financial adviser

An independent committee of the Board will be formed to consider and advise the Independent Shareholders on the Proposed Acquisition and the Option Agreement. An independent financial adviser will be appointed to advise the independent board committee with respect to the Proposed Acquisition, the Option Agreement and the exercise of the Option.

The EGM

The EGM will be convened at which resolutions will be proposed to seek the approval of the Independent Shareholders by way of poll for the Proposed Acquisition, the Option Agreement and the exercise of the Option.

Despatch of circular

A circular containing, among other things, further details of the Proposed Acquisition, the Option Agreement and the Control Deed, the recommendations of the independent board committee, a letter of advice from an independent financial adviser to the independent board committee and the Independent Shareholders and a notice convening the EGM will be sent to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

As Completion and the Option Agreement are subject to the fulfilment of a number of conditions precedent, the Proposed Acquisition and the exercise of the Option may or may not proceed. The issue of this announcement does not in any way imply that the Sale and Purchase Agreement and the Option Agreement will be implemented or completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

Suspension and resumption of trading

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 am on 26 November 2009 pending release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 am on 2 December 2009.

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTIONS

The Proposed Acquisition

On 25 November 2009, the Company and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of Rightsouth, to the Company for a consideration of HK\$37,000,000, subject to adjustment. The consideration for the Proposed Acquisition is to be satisfied by the Company by allotting and issuing to the Vendor the Consideration Shares at the Issue Price. Upon Completion, the JV Co. will be accounted for by the Company as its subsidiary and the accounts of the JV Co. will be consolidated with those of the Company. Details of the principal terms of the Sale and Purchase Agreement are summarised below.

The Sale and Purchase Agreement

| | |
|---------------------------|--|
| Date: | 25 November 2009 |
| Seller: | The Vendor |
| Purchaser: | The Company |
| Subject matter: | The Vendor has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares at a consideration of HK\$37,000,000, subject to adjustment. |
| Consideration: | The total consideration for the Proposed Acquisition is HK\$37,000,000, which will be satisfied by the Company by allotting and issuing to the Vendor the Consideration Shares. |
| Consideration Adjustment: | <p>In the event that the Company (or its nominee, as the case may be) exercises the Option pursuant to the Option Agreement and completes the acquisition of the Option Equity Interests from the Vendor, the consideration for the Proposed Acquisition shall be reduced by an amount equal to the Exercise Price, and the Vendor shall pay such amount in cash to the Company within five Business Days after the Equity Interests Completion Date. In the event that the Option is not exercised by the Company, the maximum amount of consideration for the Proposed Acquisition will be HK\$37,000,000.</p> <p>The consideration for the Proposed Acquisition was determined after arm's length negotiation between the Company and the Vendor with reference to, among other things, the prospects of the JV Co. in the liquor business sector in the PRC and the net asset value of Rightsouth, Gold Star and the JV Co. based on their respective unaudited balance sheet as at 31 October 2009 of approximately HK\$21,185,000, HK\$21,672,000 and RMB12,463,000, respectively.</p> |
| Consideration Shares: | <p>The Consideration Shares represent (i) approximately 13.60% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 11.97% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.</p> <p>The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the ordinary Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.</p> |

The Issue Price of HK\$0.471 represents:

- a) a discount of approximately 2.9% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the Last Trading Day;
- b) a discount of approximately 10.8% to the average closing price of HK\$0.528 per Share as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day;
- c) no discount or premium to the average closing price of HK\$0.471 per Share as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day;
- d) a premium of approximately 12.7% to the average closing price of HK\$0.418 per Share as quoted on the Stock Exchange over the last twenty trading days up to and including the Last Trading Day; and
- e) a discount of approximately 31.7% to the latest published unaudited consolidated net tangible assets per Share of approximately HK\$0.69 as at 30 June 2009.

Conditions Precedent: Completion is conditional upon each of the following conditions being satisfied:

- a) the execution and delivery of the Option Agreement by the Vendor and the Company;
- b) the approval by the Shareholders of the Sale and Purchase Agreement, the Option Agreement and the exercise of the Option in accordance with the Listing Rules; and
- c) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Consideration Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Consideration Shares to the Vendor),

and if any of those conditions have not been fulfilled by 31 March 2010 or such other date as may be agreed by the Vendor and the Company, the provisions of the Sale and Purchase Agreement shall from such date have no effect and no party shall have any liability under them (without prejudice to the rights of any of the parties in respect of antecedent breaches).

Neither the Vendor nor the Company is entitled to waive any of the above conditions unilaterally.

Completion: Completion shall take place on the third Business Day following the due fulfilment of all of the conditions precedent of the Sale and Purchase Agreement or at such other time as the Vendor and the Company may agree.

The Option

On 25 November 2009, the Vendor and the Company entered into the Option Agreement pursuant to which the Vendor has conditionally agreed to grant to the Company the Option for a consideration of HK\$1.00. Upon exercise of the Option, the Company will be entitled to acquire all the Option Equity Interests from the Vendor at the Exercise Price. The payment of the Option consideration and the Exercise Price will be financed from internal resources of the Company. Upon exercise of the Option by the Company (or its nominee, as the case may be), the JV Co. will become a direct or indirect subsidiary of the Company. Details of the principal terms of the Option Agreement are summarised below.

The Option Agreement

Date: 25 November 2009

Grantor: The Vendor

Grantee: The Company

The Option to be granted: The Vendor has agreed to grant to the Company an irrevocable and unconditional right to purchase all the Option Equity Interests at the Exercise Price.

Under the JV Agreement, a transfer by any party to the JV Agreement of any equity interests in the JV Co. held by that party is subject to the consent of the other party. At the Equity Interests Completion Date, the Option Equity Interests to be acquired by the Company may be more or less than 70% of the total equity interests of the JV Co. depending on whether additional capital contributions is made by Rightsouth to the JV Co. (if any) pursuant to the Control Deed (as described in the subsection headed “Additional Capital Contribution” under the section headed “The Control Deed”).

Consideration: The total consideration for the grant of the Option is HK\$1.00.

Exercise of the Option: The Option is exercisable by the Company (or its nominee) at any time during the option period commencing on the date of the Option Agreement and ending on 29 April 2025 (both dates inclusive), or such date as the term of the JV Agreement may be extended to pursuant to the terms of the JV Agreement, by giving an exercise notice to the Vendor.

The Option is exercisable only in respect of all (and not part of) the Option Equity Interests, and the exercise of the Option by the Company (or its nominee, as the case may be) is subject to PRC regulatory approvals.

Exercise Price of the Option: The Exercise Price payable by the Company to the Vendor upon exercise of the Option is an amount in Hong Kong dollars equal to the Net Asset Value attributable to the Relevant Option Equity Interests as at the Equity Interests Completion Date, but such amount shall not exceed HK\$15,298,500.

The Exercise Price was determined after arm’s length negotiation between the Company and the Vendor with reference to, among other things, the net asset value of the JV Co. based on its unaudited balance sheet as at 31 October 2009 and the establishment costs of the JV Co. incurred by the Vendor.

Conditions Precedent: The Option Agreement is conditional upon each of the following conditions being satisfied:

- a) the approval by the Shareholders of the Option Agreement and the exercise of the Option in accordance with the Listing Rules; and
- b) Completion of the Sale and Purchase Agreement.

Completion: Upon the exercise of the Option by the Company (or its nominee, as the case may be), completion shall take place on the third Business Day from the Exercise Date.

The Control Deed

Prior to the entering into of the Sale and Purchase Agreement by the Vendor and the Company, the Vendor and Rightsouth had entered into and completed the Control Deed in relation to the JV Co. pursuant to which the Vendor has assigned to Rightsouth the Economic Benefits and granted to Rightsouth the Control Rights in relation to the JV Co.. Upon Completion, the JV Co. will be accounted for as a subsidiary of the Company due to Rightsouth's control over the JV Co., and the accounts of the JV Co. will be consolidated with those of the Company. Details of the principal terms of the Control Deed are summarised below.

Date: 25 November 2009

Assignor: The Vendor

Assignee: Rightsouth

Subject matter: The Vendor has agreed to assign to Rightsouth all of the beneficial interests in the Economic Benefits and to grant to Rightsouth all of the Control Rights in relation to the management of the JV Co. attributable to the Vendor's Equity Interests.

Additional Capital Contribution: In the event of any proposed increase in the registered capital of the JV Co., Rightsouth will be liable for any capital contributions in respect of the Vendor's proportion of Equity Interests, whereupon Rightsouth will have the option, at its sole discretion, to (i) require the Vendor to procure that Rightsouth becomes the legal and beneficial owner of such additional Equity Interests in the JV Co.; or (ii) require the Vendor to contribute the additional registered capital (to be funded by Rightsouth) and hold such Equity Interests on behalf of Rightsouth as nominee, subject to and in accordance with the applicable law.

Consideration: The total consideration for the assignment of the Economic Benefits and grant of the Control Rights in relation to JV Co. is HK\$15,298,500, which will be satisfied by Rightsouth by allotting and issuing to the Vendor 1,974,000 Rightsouth Shares.

Reimbursement: Rightsouth shall reimburse to the Vendor annually all costs reasonably and properly expended by it in connection with holding the legal interests in the Equity Interests, provided that such reimbursements shall in total not exceed HK\$200,000 annually.

Term: The Control Deed has an initial term of three years with automatic renewal for further periods of three years upon expiry of the initial term or any subsequent term (as the case may be), subject to approval by the respective shareholders of either party to the Control Deed or their respective Affiliates if such approval is required under the Listing Rules or otherwise by the Stock Exchange.

The Control Deed will continue in force until the earlier of the expiry date of the JV Agreement or the Equity Interests Completion Date.

IMPLICATIONS UNDER THE LISTING RULES

Connected Transactions

CEC indirectly holds approximately 88.6% of the issued share capital of the Vendor. As CEC is also the ultimate controlling shareholder of the Company and, through Orientelite and CEC Agricapital, in aggregate holds approximately 56.1% of the Company's issued share capital as at the date of this announcement, the Vendor is a connected person of the Company. Therefore, each of the Proposed Acquisition, the acceptance of the Option and the exercise of the Option (if exercised) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to Independent Shareholders' approval under Rule 14A.18 of the Listing Rules. At the time of exercise of the Option, the Company will re-comply with all applicable requirements under Chapter 14A (including Rule 14A.70(2)) of the Listing Rules, including the Shareholders' approval requirement, if necessary.

Very Substantial Acquisition

As at least one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of the Proposed Acquisition and the exercise of the Option exceeds 100%, each of these transactions also constitutes a very substantial acquisition under Rule 14.06 of the Listing Rules. Accordingly, the Sale and Purchase Agreement and the Option Agreement will be conditional upon, amongst other things, the approval by the Shareholders at the EGM.

Exempt Continuing Connected Transaction arising from the Control Deed

Pursuant to the Control Deed, Rightsouth will reimburse the Vendor annually for expenses incurred in relation to holding the legal interests in the Equity Interests. The Vendor is a connected person of the Company, and, upon Completion, Rightsouth will become a wholly-owned subsidiary of the Company. Therefore, the reimbursement of the expenses by Rightsouth to the Vendor will become a continuing connected transaction of the Company. The terms of the Control Deed provide that the amount of reimbursement of such expenses shall be capped at HK\$200,000 per annum and therefore the transactions under the Control Deed will fall within the de minimis provision of Rule 14A.33(3) of the Listing Rules. Hence, the Control Deed is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, the Company will comply with the Listing Rules and make announcement and seek its Independent Shareholders' approval, if required, should the reimbursement of expenses by Rightsouth to the Vendor in any year exceeds or is expected to exceed the threshold prescribed by the de minimis provision of Rule 14A.33(3) of the Listing Rules.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion and the allotment and issue of the Consideration Shares are as follows:

| Shareholders | As at the date of this announcement | | Immediately after Completion and the allotment and issue of the Consideration Shares | |
|--------------------------------|--|---------------|--|---------------|
| | No. of Shares | % | No. of Shares | % |
| The Vendor | – | – | 78,556,263 | 11.97 |
| Orientalite | 195,000,000 | 33.77 | 195,000,000 | 29.72 |
| CEC Agricapital | 128,960,000 | 22.33 | 128,960,000 | 19.66 |
| Shareholders acting in concert | | | | |
| with CEC and/or its associates | 323,960,000 | 56.10 | 402,516,263 | 61.35 |
| Existing public Shareholders | 253,547,000 | 43.90 | 253,547,000 | 38.65 |
| Total | 577,507,000 | 100.00 | 656,063,263 | 100.00 |

INFORMATION ON RIGHTSOUTH AND GOLD STAR

Rightsouth was incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendor. As of the date of this announcement, the Vendor invested a total amount of HK\$21,216,008 in Rightsouth, which in turn invested an amount of HK\$21,216,001 in Gold Star. The sole asset of Rightsouth is the entire issued capital of Gold Star, which holds a cash deposit of approximately HK\$21,028,000 as at the date of this announcement. Rightsouth was assigned the Economic Benefits and Control Rights of the JV Co. under the Control Deed.

According to the unaudited financial statements of Rightsouth prepared under the Hong Kong Financial Reporting Standards, Rightsouth did not generate any net profit or net loss for the period from 25 November 2008 (the date of incorporation of Rightsouth) to 31 December 2008, and the unaudited net loss of Rightsouth before and after taxation and extraordinary items for the period from 1 January 2009 to 31 October 2009 was approximately HK\$31,000. The unaudited net assets of Rightsouth as at 31 October 2009 was approximately HK\$21,185,000.

According to the unaudited financial statements of Gold Star prepared under the Hong Kong Financial Reporting Standards, the unaudited net income of Gold Star before and after taxation and extraordinary items for the period from 4 July 2008 (the date of incorporation of Gold Star) to 31 December 2008 was approximately HK\$240,000. The unaudited net income of Gold Star before and after taxation and extraordinary items for the period from 1 January 2009 to 31 October 2009 was approximately HK\$216,000 and the unaudited net assets of Gold Star as at 31 October 2009 was approximately HK\$21,672,000.

INFORMATION ON THE VENDOR

The Vendor was incorporated in the British Virgin Islands with limited liability and is an indirect 88.6% owned subsidiary of CEC, the ultimate controlling shareholder of the Company. The remaining 11.4% shareholding in the Vendor is owned by directors of the Vendor and independent third parties. The assets of the Vendor as at the date of this announcement include the entire issued capital of Rightsouth, a 70% equity interest in the JV Co. and a 70% equity interest in a joint venture in the food and beverages wholesale and retail distribution sector in the PRC.

INFORMATION ON THE JV CO.

The JV Co. is a sino-foreign equity joint venture with limited liability established in the PRC. As at the date of this announcement, the Vendor had invested RMB8.75 million into the JV Co. by way of contribution to its registered capital. The JV Co. is owned as to 70% by the Vendor and 30% by the JV Partner. The JV Co. is principally engaged in the wholesale and retail business of liquor in the PRC.

INFORMATION ON THE COMPANY

The Company is principally engaged in the production of consumable ethanol, industrial ethanol and other food and feed ingredients in the PRC. The Group operates a production facility in Harbin, PRC, which is at the final stage of its trial-run period. The Group also has a production facility in Yinchuan which has remained idle and the Group has no definite plan for utilisation of this facility in the near future. After Completion and the exercise of the Option, the Group's core business will not change and the Group will continue its existing business operation. The Group plans to produce premium consumable ethanol at its Harbin production facility, and a portion of the ethanol products will be processed into liquor, a downstream product of ethanol, by third party sub-contractors for sales through the retail network of the Group and the JV Co.

REASONS FOR THE PROPOSED ACQUISITION AND THE OPTION

The Company is principally engaged in the production of premium grade consumable ethanol in the PRC. In October 2009, the Group has obtained the licences to use the 不倒翁 (Budaoweng) brand and 北國春 (Beiguochun) brand for the production and sale of liquor in certain regions in the PRC. Building on the Group's ability to produce high-quality consumable ethanol and leveraging on the Group's rights to use the two licensed liquor brands in China, the Directors believe that investment in Rightsouth will provide a good opportunity for the Group to enter into the PRC alcoholic beverage markets through the JV Co., the operation of which will contribute to the income of the Group upon Completion.

The Directors had considered the possibility of a direct acquisition of the Equity Interests from the Vendor by the Company at this stage but concluded that implementation of the Group's plan to enter into the PRC alcoholic beverage market would be delayed due to the time required to obtain the requisite PRC regulatory approvals and the consent of the JV Partner required pursuant to the JV Agreement for any transfer of Equity Interests. By acquiring the Economic Benefits and the Control Rights over the JV Co. through Rightsouth and the Option, the Group can expedite the process for acquiring the business operation of the JV Co. and commence operation for production and sale of liquor products under the two licensed brands immediately after Completion. The Company intends to exercise the Option and obtain the legal interests to the Option Equity Interests at an appropriate time.

The Directors also consider that the investment in Rightsouth will allow the Company to diversify its business and reduce the Company's reliance on the ethanol production business.

The Directors (excluding the non-executive Directors and the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) believe that terms of the Sale and Purchase Agreement, the Option Agreement and the Control Deed, including the consideration for the Proposed Acquisition and the Exercise Price, are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Directors consider that the issue of the Consideration Shares as consideration for the Proposed Acquisition is fair and reasonable and in the best interest of the Shareholders as a whole as it is the best financing method for the Company given that the Company will not need to use substantial amount of its existing cash resources to fund the Proposed Acquisition. The Director intends to finance the payments for the consideration for the Option and the exercise of the Option by internal resources of the Company.

The Directors also believe that the Economic Benefits expected to be received by Rightsouth during the term of the Control Deed represent a reasonable return on investment for Rightsouth and ultimately, the Company following Completion.

GENERAL

Independent board committee and independent financial adviser

An independent committee of the Board will be formed to consider and advise the Independent Shareholders on the Proposed Acquisition and the Option Agreement. An independent financial adviser will be appointed to advise the independent board committee with respect to the Proposed Acquisition, the Option Agreement and the exercise of the Option.

The EGM

The EGM will be convened at which resolutions will be proposed to seek the approval of the Independent Shareholders by way of poll for the Proposed Acquisition, the Option Agreement and the exercise of the Option.

Despatch of circular

A circular containing, among other things, further details of the Proposed Acquisition, the Option Agreement and the Control Deed, the recommendations of the independent board committee, a letter of advice from the independent financial adviser to the independent Board committee and the Independent Shareholders and a notice convening the EGM will be sent to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

As Completion and the Option Agreement are subject to the fulfilment of a number of conditions precedent, the Proposed Acquisition and the exercise of the Option may or may not proceed. The issue of this announcement does not in any way imply that the Sale and Purchase Agreement and the Option Agreement will be implemented or completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 am on 26 November 2009 pending release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 am on 2 December 2009.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless otherwise specified.

| | |
|----------------|---|
| “Affiliate” | (1) of any individual means any family member (being a parent, sibling or spouse) of such individual, and (2) of any person other than an individual means any other person which (a) controls the first-mentioned person, (b) is controlled by the first-mentioned person, or (c) is under common control with the first-mentioned person; |
| “Board” | means the board of Directors; |
| “Business Day” | means a day (not being a Saturday) on which banks are open for general banking business in Hong Kong; |
| “BVI” | means the British Virgin Islands; |

| | |
|------------------------------------|--|
| “CEC” | means China Enterprise Capital Limited, a company incorporated in the British Virgin Islands, the ultimate holding company of the Vendor and the ultimate controlling shareholder of the Company; |
| “CEC Agricapital” | means CEC Agricapital Group Limited, a wholly-owned subsidiary of CEC and a holder of approximately 22.33% of the issued share capital of the Company as at the date of this announcement; |
| “Company” | means Bio-Dynamic Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange; |
| “Completion” | means completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement; |
| “connected persons” | has the meaning ascribed to such term in the Listing Rules; |
| “Consideration Shares” | means 78,556,263 ordinary shares with a nominal value of HK\$0.10 each in the capital of the Company to be allotted and issued to the Vendor as consideration for the Proposed Acquisition; |
| “Control Deed” | means the deed of assignment and control in relation to the JV Co. dated 25 November 2009 entered into between the Vendor and Rightsouth in relation to the assignment of the Economic Benefits and Control Rights by the Vendor to Rightsouth; |
| “Control Rights” | means all of the control rights which the Vendor has in relation to the management of the JV Co. as is attributable to its Equity Interests, including the right to nominate and appoint directors to the JV Co.; |
| “Directors” | means the directors of the Company; |
| “Economic Benefits” | means all of the beneficial interests which the Vendor has in the economic rights as is attributable to its Equity Interests, including the rights to receive dividends, interest and income from the JV Co. and the right to receive such portion of the JV Co.’s assets distributable in the event of a winding up, reduction of capital or other distributions of the JV Co.; |
| “EGM” | means the extraordinary general meeting of the Company to be convened to approve, among other things, the Proposed Acquisition, the Option Agreement and the exercise of the Option; |
| “Equity Interests” | means all the equity interests in the JV Co. held by the Vendor from time to time; |
| “Equity Interests Completion Date” | means the date of completion of the acquisition by the Company of the Option Equity Interests from the Vendor pursuant to the Option Agreement; |
| “Exercise Price” | means an amount in Hong Kong dollars equal to the Net Asset Value attributable to the Relevant Option Equity Interests as at the Equity Interests Completion Date, but such amount shall not exceed HK\$15,298,500; |

| | |
|----------------------------|--|
| “Gold Star” | means Gold Star International (HK) Limited, a company incorporated in Hong Kong on 4 July 2008 and a wholly-owned subsidiary of Rightsouth; |
| “Group” | means the Company and its subsidiaries; |
| “HK\$” | means the lawful currency of Hong Kong; |
| “Hong Kong” | means the Hong Kong Special Administrative Region of the PRC; |
| “Independent Shareholders” | means Shareholders other than CEC, Orientelite and CEC Agricapital and those shareholders who are interested in the Proposed Acquisition and the Option; |
| “Issue Price” | means the issue price of HK\$0.471 per Consideration Share; |
| “JV Agreement” | means a joint venture agreement dated 2 December 2004 between the Vendor and 廣州副食品批發有限公司, as amended by the supplemental agreement dated 29 August 2008 between the Vendor and the JV Partner, in respect of the JV Co.; |
| “JV Co.” | means Guangzhou Wine & Liquor Franchised Stores Ltd. (廣州酒類專賣店連鎖有限公司), a limited liability company established in the PRC on 19 August 1999 and owned as to 70% and 30% by the Vendor and the JV Partner as at the date of this announcement; |
| “JV Partner” | means 廣州羊城食品有限公司 (Guangzhou Yangcheng Food Co., Ltd.), an independent third party not connected with the Group; |
| “Last Trading Day” | means 25 November 2009, being the last day on which the Shares were traded on the Stock Exchange prior to the release of this announcement; |
| “Listing Committee” | has the meaning ascribed to such term in the Listing Rules; |
| “Listing Rules” | means The Rules Governing the Listing of Securities on the Stock Exchange; |
| “Net Asset Value” | means the value of the net assets of the JV Co. based on the latest audited financial statements of the JV Co. available as at the exercise date of the Option under the Option Agreement; |
| “Option” | means the option granted by the Vendor to the Company to purchase the Option Equity Interests pursuant to the Option Agreement; |
| “Option Agreement” | means an option agreement dated 25 November 2009 entered into between the Vendor and the Company in relation to the Option; |
| “Option Equity Interests” | means all Equity Interests legally and beneficially held by the Vendor in the JV Co. as at the Equity Interest Completion Date; |
| “Option Period” | means the period commencing on the date of the Option Agreement and ending on 29 April 2025 (both dates inclusive) or such date as the term of the JV Agreement may be extended to pursuant to the terms of the JV Agreement; |

| | |
|------------------------------------|---|
| “Orientelite” | means Orientelite Investments Limited, a wholly-owned subsidiary of CEC and a controlling shareholder of the Company; |
| “Proposed Acquisition” | means the proposed acquisition of the Sale Shares by the Company pursuant to the Sale and Purchase Agreement; |
| “PRC” | means The People’s Republic of China; |
| “Relevant Option Equity Interests” | means such of the Option Equity Interests other than the equity interests in the JV Co. which is held by the Vendor as nominee or on trust for the Company, if any, as at the Equity Interests Completion Date; |
| “Rightsouth” | means Rightsouth Limited, a company incorporated in the British Virgin Islands on 25 November 2008 and a wholly-owned subsidiary of the Vendor; |
| “Rightsouth Shares” | means ordinary share(s) of US\$1.00 each in the capital of Rightsouth; |
| “RMB” | means the lawful currency of the PRC; |
| “Sale and Purchase Agreement” | means the agreement for the sale and purchase of the entire issued share capital of the shares in Rightsouth dated 25 November 2009 entered into between the Vendor and Company; |
| “Sale Shares” | means 4,694,001 Rightsouth Shares, representing the entire issued share capital of Rightsouth as at the date of the Sale and Purchase Agreement, to be sold by the Vendor to the Company; |
| “Share(s)” | means ordinary share(s) of HK\$0.10 each in the capital of the Company; |
| “Shareholder(s)” | means holder(s) of the Shares; |
| “Stock Exchange” | means The Stock Exchange of Hong Kong Limited; |
| “US\$” | means the lawful currency of the United States; and |
| “Vendor” | means China Food and Beverage Group Limited, a company incorporated in the British Virgin Islands and an indirect subsidiary of CEC. |

By Order of the Board
BIO-DYNAMIC GROUP LIMITED
Peter Lo
Chairman

Hong Kong, 1 December 2009

As at the date hereof, the executive directors are Mr. Peter Lo, Mr. Li Wentao, Mr. David Lee Sun, Mr. Zhao Difei, Mr. Li Jian Quan and Mr. Lu Gui Pin; the non-executive director is Mr. Derek Emory Ting-Lap Yeung; and the independent non-executive directors are Dr. Leung Kwan-Kwok, Mr. Sam Zuchowski and Dr. Loke Yu alias Loke Hoi Lam.